



Grantee:

Wellesley College, Department of Economics
Project Number (90YE0006)
Project Years (1997-2001)
Working in Massachusetts, Florida, and Alabama

Project Title:

Child Care Needs and Outcomes for Low-Income
Families Under Welfare Reform

Description:

The Wellesley Child Care Research Partnership, administered by Wellesley College, includes child care researchers, state and local child care administrators and elected and appointed officials, resource and referral agencies, child development specialists, employers, and researchers with specialty in labor markets, industrial organizations, and social welfare programs. The work of the project is coordinated with the Urban Institute's work on the New Federalism and with the National Study of Low-Income Child Care. For more detailed information, please visit the partnership's website at <http://www.wellesley.edu/Economics/partner/>.

Major Research Questions:

The Wellesley partnership focuses its research on the following questions:

- How do child care subsidies and new welfare policies affect the economic self-sufficiency of low-income families?
- How do child care subsidies and welfare reform affect the quality of care received by low-income children?
- How do child care subsidies affect the availability of care in child care markets used by low-income families?
- How does the availability of child care in low-income markets compare with the availability of child care in more affluent communities?
- How do subsidies and new welfare-to-work policies affect the price of care in child care markets used by low-income families?

- How does the price of child care in low-income markets compare with the price of child care in markets serving more affluent families?

Research and Evaluation Design:

The major objective of the Wellesley Child Care Research Partnership is to generate new knowledge to help guide the development of child care delivery systems that are more efficient, effective and responsive to the needs of low-income families and their children. The partnership employs a dual focus on family self-sufficiency and on the quality of care received by children. To ensure that results provide accurate, consistent and structured policy guidance, Wellesley Child Care Research Partnership researchers employ a carefully developed conceptual framework that incorporates child care and welfare policies, family child care choices, provider choices, and family and child care outcomes. Based on the conceptual framework, partnership researchers estimate empirical models to answer policy questions. Empirical measures come from a variety of Federal, State and local databases. The partnership uses monthly snapshots of child care subsidy data and monthly and annual snapshots of resource and referral (R&R) data. Collection of these data began in late 1995 and will continue until the fall of 2000.

Selected Publications and Findings:

For a complete list of the Wellesley Child Care Research Partnership publications and working papers, please visit the partnership's web site at <http://www.wellesley.edu/Economics/partner/>.

Queralt, M. & Witte, A. D. (December 1999). Estimating the unmet need for services: A middling approach. *Social Service Review*, 73(4), 524-559.

Using a child-care illustration, this article develops a concept of unmet need applicable to the human services and a systematic method of identifying the geographic areas where it may exist. The authors start by inventorying the licensed and regulated supply of child care and early childhood education services in Hampden County, Massachusetts. To ascertain the main factors that determine the supply, they estimate a series of reduced-form equations derived from a child-care market model of supply and demand. In accordance with their concept of unmet need, they predict the supply of child-care services that would be available if each neighborhood (proxied by a census tract) in the study area had its own demographic characteristics and a socioeconomic level equal to the county median. Finally, the authors use Geographic Information Systems (GIS) to map areas predicted to have the greatest unmet need.

Loprest, P., Schmidt, S., & Witte, A. D. (in press). Welfare reform under PRWORA: Aid to children with working families.

Available at: <http://www.wellesley.edu/Economics/wkpapers/index.html>.

The authors assess some of the major themes and impacts of welfare reform since the passage of PRWORA in 1996.

The major themes for states include:

1. a "work-first" approach to cash assistance;
2. large increases in federal funding for child care;
3. increasing diversity in state and local cash assistance and child care programs;
4. the beginning stages of the integration of diverse child care programs; and
5. the severing of linkages between child care assistance and cash assistance in some states.

Changes for families include:

1. increases in financial incentives to work;
2. mandatory work-related activity requirements, sanctions if requirements are not met, and time limits on cash assistance receipt;
3. increased availability of child care subsidies; and
4. a different environment and culture at welfare offices-stressing work and personal responsibility. Assessment of impacts on state and local government and low-income families with children are at an early stage.

The clearest impact is the marked decline in the number of individuals receiving cash assistance and the equally marked increase in the number of children being cared for in non-familial settings. A markedly increased proportion of cash assistance recipients are working or in other approved activities. Increased child care subsidies also appear to have increased the earnings of both current and former welfare recipients and other low-income families. Preliminary results suggest that work requirements and time limits have succeeded in moving low-income women with children into jobs, but have decreased the wages they are able to obtain compared to women who are not subject to time limits.

Witte, A.D., Queralto, M., Lemke, R., Witt, R., & Chipty, T. (October 8, 1999) Impact of child care subsidies and early childhood education programs on Massachusetts' current and former TAFDC recipients under welfare reform.

Briefing #1. Executive Summary of Work in Progress.

This study examines the effects of the Massachusetts child care subsidy system and early childhood education programs (ECEs), as well as of other child care- and welfare-related policies and programs on

1. employment versus enrollment in approved training or educational activities and on
2. the level of the wages received once the individual becomes employed. It is based on 81,397 monthly "snap-shots" of data covering 13,823 families in five Resource and Referral (R&R) areas in Massachusetts.

The main data are taken from the Massachusetts Office of Child Care Services (OCCS) monthly billing files for child care vouchers, supplemented by the Department of Transitional Assistance's (DTA) intake data and monthly DTA and Employment Services Program (ESP) interview data on current and former recipients of Transitional Assistance to

Families with Dependent Children (TAFDC) who were receiving child care vouchers. The period covered extends from July 1996 through August 1997.

Findings come from using random-effects estimation of reduced form equations derived from a structural model of the probability of employment versus enrollment in education or job training and from a structural model for the distribution of accepted wages. One of the major findings is that greater investment in child care subsidies results in higher employment rates for current and former TANF recipients. Specifically, the July 1997 increase in the yearly budget for the Massachusetts child care voucher program, from 106.4 million to 125.2 million was associated with a 7% increase in the probability of employment for voucher recipients, from 40% to 47%.

Queralt, M., Witte, A. D., & Griesinger, H. (August 1999). Changing policies, changing impacts: Employment and earnings of child care subsidy recipients in the era of welfare reform. (Working Paper 99-06). Wellesley, MA: Wellesley Child Care Research Partnership.

This study examines the impact on the employment and earnings of low-income families of federal and state increases in funding for child care and of the changing policies and administrative procedures within the Child-Care Subsidy system that accompanied these funding increases. The sample, followed over a 24-month period surrounding the implementation of welfare reform in Florida, consists of 4,399 current and former welfare families whose children were receiving subsidized child care in Miami-Dade County. The authors use a structural supply and demand model for the probability of work and earnings that controls for policy and administrative changes related to welfare reform, implementation of two federal minimum wage increases, changes in the Earned Income Tax Credit (EITC), human capital and socio-demographic characteristics, labor market conditions, and community characteristics that are known to affect the likelihood of employment and earnings.

The study estimates reduced forms derived from this model using specialized statistical methods appropriate for longitudinal and unbalanced panel data.

Findings indicate that the dramatic increase in funding for child care during the early stages of welfare reform significantly increased the likelihood of employment for welfare clients receiving subsidized child care, even those with substantial barriers to employment.

Specifically, an increase of \$145 in subsidy spending per child increased the likelihood of employment from 59 to 71 percent for current and former recipients with few barriers to employment. According to the study, augmenting child care subsidy funding increases not only employment rates but also the earnings of current and former welfare recipients who are already working. The \$145 increase in subsidy funding per child was associated with a 3.9 percent increase in earnings for those with few barriers to employment and a 7.2 percent increase for current and former recipients with moderate to severe barriers to employment.

The welfare reform legislation in Florida required welfare recipients to pay part of the cost of providing care for their children. Because this aspect of the law was implemented during the

period of this study, it made it possible to assess the impact of required co-payments. Results indicate that while very low co-payments may have no significant effect on earnings, higher levels of required co-payments can lead to a significant decline in earnings.

Queralt, M. & Witte, A. D. (August 1999). Estimating the unmet need for child care: A practical approach (Working Paper 99-05). Wellesley, MA: Department of Economics, Wellesley College.

Welfare Reform has focused attention on the need to provide support services to the increasing numbers of low-income families entering the job market. This has heightened the interest in identifying localities lacking adequate services. In a previous writing, the authors developed a relatively complex and theoretically grounded statistical method of assessing unmet need (Queralt & Witte, 1999). The practical approach described in this paper, using a child care illustration, is easier for social agencies to apply; and yet, it yields results that are significantly correlated with the more rigorous method. The methodology the authors propose and illustrate to assess the need for services across neighborhoods is similar to that used in the designation of Medically Underserved Populations (MUPs). This approach involves the development of key measures of the availability and need for services in each local area and comparing the standing of each local area on the selected measures against the median value on each indicator for the surrounding area (i.e., the county or state), which serves as the standard. The central measure the authors use to assess availability of child care services is the number of child care slots available in a local area, indexed to the relevant child population (e.g., the number of preschool slots per preschool child in the population).

Additional measures taken into consideration in assessing the neighborhood need for child care include:

1. percent of mothers with children ages 5 and under who are employed, percent of the census tract population with incomes under 200% of the Federal Poverty Level (FPL);
2. the number of public assistance recipients and of open child protective services cases as a percent of the neighborhood population;
3. the percent of families headed by one parent (male or female); and
4. population density per square kilometer.

The authors show how neighborhoods can be rated on each measure of need for child care services and assigned a score that reflects their relative standing vis-a-vis the regional standard. The total of the need scores for each neighborhood is used as evidence of its unmet need for services. Setting the median level of services in the region as the standard against which to judge the adequacy of neighborhood services can be justified on the grounds that it is a reasonable base level of service provision to aim toward, at least one that would be considered by the public to be neither too high nor too low. Being able to provide empirical evidence of unmet need in local areas can help to secure the necessary funding to distribute services more equitably.

Witte, A. D., Queralt, M., Chipty, T., & Griesinger, H. (June 1999). Unintended consequences? The welfare reform "package" and the earnings of low-income women (Working Paper 6798).

Cambridge, MA: National Bureau of Economic Research. Available at:
<http://www.acf.dhhs.gov/programs/opre/profiles.htm>

This study uses three unique longitudinal databases that incorporate information from diverse administrative and research sources and the Current Population Survey to provide a preliminary assessment of the impact of the set of changes that came with welfare reform--the welfare reform "package"--on the earnings of low-income women. Using a number of different estimation techniques and a number of different samples, the authors find that increases in funding for child care subsidies that were a part of the welfare reform package led to a significant increase in earnings for those who received subsidized child care.

However, the influx of former welfare recipients into the low-income labor market and other early, direct effects of welfare reform were associated with an approximately 6% decline in earnings for low-income women not receiving cash assistance. On net, the welfare reform package, which included increases in child care subsidies and an increase in the minimum wage led, if anything, to a slight increase in the earnings of low-income women. From a representative member of our primary sample of child care recipients, we estimate that the set of changes that came with welfare reform led to a change in monthly earnings of between \$18 and \$68, with an earnings gain of \$25 being most likely.

Witte, A. D. & Queralt, M. (May 1999). Duration of subsidized child care arrangements in five areas in Massachusetts (Working Paper). Wellesley, MA: Department of Economics, Wellesley College.

For five representative areas of Massachusetts (MA), this paper examines the characteristics of the children and families receiving child care vouchers, the type of care purchased with vouchers, and the duration of continuous enrollment in the MA voucher program. To carry out the work, the researchers combined data from the Massachusetts Office of Child Care Services' (OCCS) monthly billing files for child care vouchers with data from a number of Department of Transitional Assistance (DTA) databases for the period from July 1996 to August 1997. The data cover Massachusetts' largest city, Boston, and the diverse suburbs west of the city (e.g., Cambridge, Chelsea, and Somerville), a number of smaller metropolitan areas (i.e., Springfield/Chicopee/Holyoke, Lowell, and New Bedford/Fall River), as well as rural areas of Hampden, Bristol, and Plymouth counties.

Overall, 40% of the families receiving child care vouchers were white, 34% were black, and 24% were Latino. However, there was substantial variation in the racial/ethnic mix of voucher recipients across our study areas. For example, the most typical recipient in Boston was black, while the most typical recipient in Lowell/Framingham and New Bedford was white, and in Springfield/Chicopee/Holyoke, the most typical recipient was of Latin American origin. The median age of the youngest child in a family using a child care voucher was a little over 3 years and the median age of the eldest child in a family using child care vouchers was 4 1/2 years. The typical parent receiving child care vouchers was a single parent with 2 children who was receiving Transitional Assistance for Needy Families (TANF). More than half of the approximately 259,000 child care vouchers issued in all the areas of our study during our study period were given to TANF recipients. Only about 1% of

the vouchers were given to Income Eligible (IE) parents. Approximately half of the voucher recipient were working and in Massachusetts' Employment Services Program (ESP). Their median earnings were \$250 per week. Eighty-four percent of the child care arrangements paid with vouchers were for full-time care (six hours or more per day), 53% were for center-based care, and 21% were informal.

During the 14-month study period, each enrolled child received an average of 10 child care vouchers, ranging from 7 vouchers in the New Bedford area to 11 vouchers in Boston. The duration of an enrollment in the voucher program varied from 30 to 410 days during the 14 months studied, with a mean duration of 166 days. There is substantial regional variation in the duration of voucher enrollments. The data show that a child was enrolled in the voucher program was longer when the reimbursement rate paid to the provider was higher. Child care arrangements lasted longer for those academic-year programs that incorporate after-school and holiday care (a "blended" reimbursement rate). Formal arrangements (e.g., center-based and in licensed family day care homes) lasted longer than informal arrangements (e.g., in home care by non-relative/relative or care in relative's home).

Witt, R., Queralt, M., & Witte, A. D. (March 1999). Duration of subsidized child care enrollments in the Birmingham areas of Alabama: A briefing report. Tri-State Child Care Research Partnership and Wellesley College Child Care Research Partnership.

This report describes the child care subsidy programs in a four-county area that includes Birmingham, Alabama, with focus on the duration of enrollments. It is based on information on 10,071 families with children receiving child care subsidies between April 1994 and October 1998. The largest number of families enrolled on January 1997 (approximately 50%) received subsidies because they were "income eligible" (i.e., were working or in school or in training and had incomes below approximately 130% of the Federal Poverty Level (FPL). Fifteen percent of families received child care subsidies because they were receiving AFDC/TANF and participating in the Jobs and Basic Skills (JOBS) program. Ten percent of families were receiving subsidies under the Transitional Child Care (TCC) program. Eight percent received subsidies under the Supplemental Child Care Program (SCCP). This program, which is locally funded by a combination of local government, foundations and United Way, provides subsidies to working poor families that have incomes up to approximately 225% of the FPL.

Thirty-nine percent of the families with children enrolled in subsidized child care in 1997 had a single child in care, 46% had two children in care, and 15% had three children in care. Over 60% of the children enrolled in 1997 were in licensed centers, 20% were in centers exempted from licensure, and about 10% were enrolled in group child care homes or family child care homes. Less than 5% were in relative care.

Most of the children had two or fewer child care enrollments during the 4-1/2 years covered by the data. Approximately 20% had more than 3 enrollments. Children whose families qualified for subsidies because they were income eligible had the most durable subsidized child care enrollments. Specifically, their mean length of enrollment was a year and three months. Children of parents participating in the JOBS program had the least durable

enrollments (median length about six months). Enrollments in child care homes were most durable, lasting typically over a year. The least durable enrollments were in centers, lasting typically about eight months. The duration of subsidized child care enrollments after welfare reform was significantly longer than before, but, on average, the increase in duration was only approximately two weeks. The most frequent reason for the end of an enrollment was that the parent was no longer employed or in training. The next most important reason for termination was failure of the parent to provide the information needed to determine continued eligibility.

Queralt, M. & Witte, A. D. (1999). Care care regulations: A method to pursue social welfare goals? *Children and Youth Services Review*; 21(2), 111-146.

This article examines the effects of state and local regulations of child/staff ratios for preschoolers on the actual child/staff ratios experienced by preschoolers at child care centers.

Results indicate that regulations can have pervasive unexpected or spillover effects. The largest in magnitude and most significant of the spillovers the authors found is the effect on child/staff ratios at preschool centers of the regulation on the maximum number of children permitted in family child care homes. As the number of children family child care providers are allowed to care for increases, the actual child/staff ratios experienced by three- to five-year old children at child care centers also increases. This type of spillover occurs because service providers, like other types of firms, react to changes in the situation of competing providers. Spillover effects also occur because service providers react to regulations by adjusting the way they run their facilities. In the child care field, for example, providers can adjust such things as the ages of children to be cared for, product characteristics such as child/staff ratios or groups sizes, and the prices they charge. Because spillovers are difficult to predict, regulations are a blunt instrument for social policy. Regulations can have profound impact on the availability, price, and quality of social services available in the community.

But the results obtained through regulation may not always be the ones anticipated by the policy makers who established the regulation.

Queralt, M. & Witte, A. D. (September 1998). A map for you? *Geographic information systems in the social services*. *Social Work*; 43(5), 455-469.

This article illustrates the use of Geographic Information Systems for practice, administration, and research in the social services. For illustrations, it uses 1996/97 child care licensing data for the Lowell/Framingham area of Massachusetts and resource and referral data from the Miami- Dade area of Florida. The authors show how the location and characteristics of service providers can be depicted on a map that can be made available to clients. By mapping the ratio of child care slots to the number of children in the population, social service agency workers can locate areas with potential service availability gaps.

Similarly, by mapping the take-up rate for child care subsidies, agencies can identify areas for potential client outreach. Finally, the article presents a map of the "daily schlep" for poor families in one area of Miami. This map suggests that the transportation problem of the poor

may be primarily a work transportation problem and not a child care transportation issue and provides support for the hypothesis of a spatial mismatch between home and jobs for poor families.

Chipty, T. & Witte, A. D. (April 1998). Effects of information provision in a vertically differentiated market (Working Paper 6493). Cambridge, MA: National Bureau of Economic Research. Available at: <http://www.nber.org/papers/w6493>

The authors study the effects of information provision on equilibrium market prices and observable child care quality. Child care markets offer a unique opportunity to study these effects because of the existence of resource and referral agencies (R&Rs) in some markets, which provide consumers with information on availability, price, and observable characteristics of care. Specifically, the study examines empirically the effects of R&Rs on the distribution of child care prices and staff-child ratios. Results indicate that R&Rs have economically large and statistically significant effects on the distribution of prices for the care of infants and toddlers. Geographic markets with R&Rs have significantly less price dispersion and lower maximum prices. There is also some evidence that markets with R&Rs have lower average prices. Information provision via R&Rs has no significant effects on staff-child ratios. These findings are generally consistent with search theory and support the contention that information provision can intensify price competition.

Queralt, M. & Witte, A. D. (March 1998). Factors influencing the neighborhood supply of child care in Massachusetts. *Social Service Review*; 72(1), 17-46.

In examining the relationship between socioeconomic characteristics and neighborhood supply of licensed child care in Massachusetts, the authors find a limited supply of center care, especially full-day care, in low-income neighborhoods. Although there is a better supply of family child care in such neighborhoods, it is nevertheless more limited than in higher-income neighborhoods. This study uses census-tract level data, arguing that zip code data provide too large a geographic area to capture the nuances of supply of child care services at the neighborhood level. Findings indicate that the number of children ages 5 and under is a most important factor in determining availability of care. Other important variables include employment levels, residential stability, the ratio of adult men to women, the ratio of infants to children under age 11, the ratio of young children to adults, and the proportion of single working mothers.

Chipty, T. & Witte, A. D. (July 1997). An empirical investigation of firms' responses to minimum standards regulations (Working Paper 6104). Cambridge, MA: National Bureau of Economic Research. Available at: <http://www.nber.org/papers>

The authors study the responses of child care centers to minimum standards and other forms of regulatory intervention on both the probability of exit and the distribution of observable quality, using provider-level data for a nationally representative sample of child care markets.

This empirical work is motivated by the literature on quality and price competition in the presence of minimum standards. It is found that minimum standards increase the probability

that child care center providers exit certain markets. Moreover, it is found that such exit can cause both the average and the maximum quality observed in the market to decline. This perverse regulatory effect occurs when excessively high standards cause high-quality firms to exit. When minimum standards are not too high and do not lead to exit, minimum standards can increase the average and maximum quality of products in the market. Such not-too-high/not-too-low standards can not only force low quality firms to raise their quality, but may also cause high quality firms to increase quality, presumably in an attempt to alleviate price competition and differentiate themselves from their now higher quality rivals.

Lee, C. W., Ohlandt, S. J., & Witte, A. D. (1996). Parents receiving subsidized child care: Where do they work? Tallahassee, Florida: Florida Children's Forum. Available at: <http://ericps.ed.uiuc.edu/nccic/ccb/ccb-so96/ccb-so96.html> This study has been replicated in Alabama, California, Oregon and Washington, DC.

This study is based on employment information for workers receiving child care subsidies available in the Child Care Management System (CCMS) databases of the Child Care Coordinating Agencies in Duval County, Pinellas County, and the seven counties in the Big Bend area in Florida. The study covers a period spanning from January 1992 to December 1995. It was found that the retail trade, with fast food and other restaurants predominating, provides more employment for workers receiving child care subsidies than does any other type of industry. Fast food chains are a major source of employment. Cashiering and bagging groceries is another important activity. After retail trade, there are unique employment patterns for each of the study areas. In Pinellas, health services, predominantly nursing homes, is the next most important industrial sector. This is a reflection of the large presence of retirees in the area. In Duval County, business services, primarily agencies providing temporary personnel, assumes the number two spot, and in the Big Bend area, public administration, primarily employment at the Florida Department of Health and Rehabilitative Services, assumes the next most important employer role.

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